

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ADP-00 NSC-10 NSCE-00 AF-04 EUR-10 NEA-06

T-01 OMB-01 CIAE-00 NSAE-00 INR-09 H-01 L-02 PRS-01

PM-03 CIEP-01 USIA-04 INRE-00 SSO-00 CCO-00 RSR-01

RSC-01 /073 W

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O R 161530 Z MAR 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 3912

INFO AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THERAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION EC BRUSSELS UNN

OECD PARIS UNN

C O N F I D E N T I A L SECTION 1 OF 2 BONN 3910

LIMDIS

E. O. 11652: GDS

TAGS: ENGR

SUBJECT: POSSIBLE CONSUMER COOPERATION ON ENERGY

REF: STATE 44081

1. SUMMARY: FRG OFFICIALS HAVE REPEATEDLY STATED THEIR SUPPORT FOR EXPANDED CONSUMER COOPERATION IN THE ENERGY FIELD. THEY HAVE, HOWEVER, INISTED THAT THE TIME HAS COME FOR A DISCUSSION OF SPECIFICS, THE FORUM FOR WHICH THEY ENVISION AS THE HIGH LEVE GROUP, OR A NEW BODY
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WITH SIMILAR POLICY LEVEL MEMBERSHIP. THEY FAVOR INTENSIFIED ADVANCE CONSULTATIONS AMONG CONSUMERS ON BILATERAL DEALINGS WITH PRODUCERS; ON SECURITY MEASURES BY CONSUMERS (E. G. STORAGE, SHARING IN EMERGENCIES); AND ON NEW ENERGY SOURCES. THEY OPPOSE THE FORMATION OF A CONSUMERS' BLOC WHICH THEY FEAR COULD LEAD TO THE STRENGTHENING OF AND CONFRONTATION WITH AN OPPOSING PRODUCERS' BLOC, FUNCTIONING WITH MUCH GREATER UNITY THAN IS CURRENTLY THE CASE. IF AND WHEN WE GET DOWN TO SPECIFICS, OUR JUDGMENT IS THAT THE GERMANS WOULD BE VERY CAUTIOUS ON COOPERATION PROPOSALS AIMED AT SUCH AS (A) HOLDING DOWN OR REDUCING PRICES; (B) SUPPORTING THE INTERNATIONAL COMPANIES AND (C) PRESSURING KEY COUNTRIES TO INCREASE PRODUCTION. ASIDE FROM TACTICS, WE THINK THE FRG BELIEVES THAT ONE WAY OR OTHER ITS OWN REQUIREMENTS (IN TERMS OF PRICE AND QUANTITY) WILL BE SATISFACTORILY MET WITHOUT CONFRONTATION, WHEREAS THIS MAY NOT BE TRUE FOR THE U. S. THEREFORE, THEY SHOULD BE ENGAGED CAUTIOUSLY -- EFFORTS TO DEEPEN THEIR COMMITMENT SHOULD BE DEVELOPED OVER TIME. OTHERWISE, THE FRG MAY SIMPLY BE SCARED OFF. GIVEN THE PRESENT STATE OF THE PROPOSED EC COMMON ENERGY POLICY, THE FRG' S MEMBERSHIP IN THE COMMUNITY, POSES NO INSUPERABLE BARRIER TO ESSENTIALLY AUTONOMOUS GERMAN COOPERATION IN A WIDER FORUM. END SUMMARY.

2. THE FRG WOULD FAVOR INCREASED CONSUMER COOPERATION OF A TYPE THAT WOULD LEAD TO THE GREATER EXCHANGE OF INFORMATION. GERMAN OFFICIALS ENVISION THE HIGH LEVEL GROUP OR A NEW BODY WITH SIMILAR MEMBERSHIP, RATHER THAN THE OECD ENERGY COMMITTEE, AS THE PROPER UPGRADED FROUM FOR SUCH DISCUSSIONS.

3. THE FRG WOULD SUPPORT A PRIOR CONSULTATION PROCEDURE, BY WHICH A CONSUMING COUNTRY WOULD DISCUSS IN ADVANCE WITH OTHER CONSUMERS ANY PLANNED BILATERAL ARRANGEMENT WITH A PRODUCER. IT WOULD DO SO, HOWEVER, ONLY IF SUCH CONSULTATIONS WERE " NON- DISCRIMINATORY," I. E., THAT ALL CONSUMERS PARTICIPATED IN THE SAME OPEN AND FORTHRIGHT MANNER. IDEALLY, FOR INSTANCE, ITALY WOULD HAVE CONSULTED WITH OTHER CONSUMERS BEFORE REACHING ITS PARTICIPATION AGREEMENT WITH LIBLY. SINCE FRG
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OFFICIALS ARE NOT OPTIMISTIC THAT CONSULTATION OF THIS TYPE CAN BE REALIZED, THEY ARE NOT WILLING TO GO ANY FURTHER IN THIS DIRECTION THAN ARE ALL OTHER CONSUMERS.

4. THE FRG WOULD SUPPORT CONSUMER DISCUSSION AND POSSIBLE COOPERATION WITH REGARD TO THE SEARCH FOR, AND EXPLOITATION OF, ADDITIONAL ENERGY SOURCES. IT ALSO VIEWS THE ENERGY QUESTION AS IT RELATES TO SECURITY AS AN AREA FOR INCREASED CONSUMER COOPERATION. BUT ANY FRG COOPERATION, BEYOND THE CONSULTATION STAGE, WOULD HAVE TO TAKE INTO ACCOUNT BUDGETARY CONSIDERATIONS; WHILE WILLING TO PAY A SECURITY PREMIUM, FRG FINANCIAL COMMITMENT TO ENERGY COOPERATION IN EVEN THE SECURITY AREA WOULD NOT BE OPEN-ENDED. ADDITIONALLY, COMPETING DEMANDS FROM ITS HIGH COST COAL INDUSTRY WOULD BOTH POLITICALLY AND ECONOMICALLY INHIBIT OUTLAYS FOR, SAY, TAR SANDS DEVELOPMENT.

5. WHILE THE FRG WOULD BE PREPARED FOR GREATER DISCUSSION AND LIMITED COMMON ACTION, IT STRONGLY OPPOSES DOING ANYTHING THAT WOULD APPEAR TO PRODUCERS AS IF THE CONSUMERS WERE FORMING A BLOC TO DEAL WITH OPEC. ALONG THESE LINES, THE FRG, AT LEAST FOR THE MOMENT, IS AS CONCERNED ABOUT THE IMPRESSION PRODUCERS WOULD DRAW FROM ANY CONSUMER COOPERATION AS IT IS ABOUT THE ACTUAL FACTS OF COOPERATION. GERMAN OFFICIALS FEAR THAT THE OUTCOME COULD BE A BLOC VS. BLOC SITUATION WITH PRODUCERS STRENGTHENED THEREBY IN UNITY OF PURPOSE AND WILL. SUCH A RESULT WOULD INCREASE THE LIKELIHOOD OF CONFRONTATION, WHICH, THEY BELIEVE, IS BOTH BAD ON FOREIGN POLICY GROUNDS AND UNNECESSARY TO SECURE FRG INTERESTS.

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RSC-01 /073 W

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FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 3913
INFO AMEMBASSY BRUSSELS
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USMISSION EC BRUSSELS UNN
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C O N F I D E N T I A L SECTION 2 OF 2 BONN 3910

LIMDIS

E. O. 11652: GDS

TAGS: ENGR

SUBJECT: POSSIBLE CONSUMER COOPERATION ON ENERGY

6. AS BEST WE CAN JUDGE, THE FRG WOULD BE VERY RELUCTANT TO PARTICIPATE IN CONSUMER COOPERATION AIMED AT (A) HOLDING DOWN OR REDUCING PRICES OF IMPORTED PETROLEUM (B) SUPPORTING THE INTERNATIONAL COMPANIES, PARTICULARLY IN THEIR EFFORT TO KEEP A MAJOR ROLE IN PRODUCTION AND (C) PRESSURING KEY PRODUCERS TO ASSURE ADEQUATE EXPANSION OF PRODUCTION. THESE ARE ALL OBJECTIVES
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IN THE FRG INTEREST, BUT THE FRG SEEMS TO CONSIDER
(1) THEY MAY BE LESS IMPORTANT TO THE FRG THAN SOME OTHER GOVERNMENTS, PARTICULARLY THE US AND
(2) THAT IT IS WILLING TO PAY LESS POLITICALLY IN THEIR PURSUIT.

7. ON THE FIRST POINT, THE FRG WOULD NATURALLY WELCOME THE LOWEST POSSIBLE PETROLEUM PRICE, BUT ECONOMICS MINISTRY FRIDERICH'S HAS SAID FLATLY THAT THE BALANCE OF PAYMENTS COSTS TO THE FRG OF PETROLEUM IMPORTS IS NOT A SERIOUS CONCERN AT VIRTUALLY ANY FORESEEABLE PRICE PER BARREL. SINCE THE INTERNATIONAL COMPANIES CONTROL ABOUT 70 PERCENT OF THE PRODUCTS MARKET IN THE

FRG, THE GOVERNMENT WOULD NATURALLY LIKE TO SEE THEM IN A POSITION TO DELIVER CRUDE IN WHATEVER QUANTITIES ARE REQUIRED. BUT THE FRG SEES ITS INTERESTS AS INCREASINGLY DIVERGING FROM THOSE OF THE INTERNATIONALS. THE BELIEF SEEMS TO BE THAT THE INTERNATIONALS HAVE PLAYED THEIR HAND BADLY AND MAY BE ON THE VERGE OF LOSING CONTROL OF THEIR POSITION IN THE PRODUCING BUSINESS. PUTTING THEM BACK IN A STRONG POSITION MAY BE IMPOSSIBLE AND IS IN ANY EVENT NOT ESSENTIAL FOR FRG INTERESTS. THE BASIS ELEMENT OF THE FRG'S FUTURE SECURITY OF SUPPLY IS SEEN INCREASINGLY IN TERMS OF DIVERSITY OF SOURCES, INCLUDING SEVERAL NATIONAL COMPANIES IN PRODUCER COUNTRIES, RATHER THAN RELYING OVERWHELMINGLY ON THE INTERNATIONALS. ON THE ADEQUACY OF SUPPLY, THE FRG ATTITUDE SEEMS TO BE ONE OF CONFIDENCE THAT THE CRUDE WILL BE THERE TO BE BOUGHT FROM SOMEONE, AT A PRICE -- AND THE FRG CAN AFFORD THE PRICE.

8. COMBINED WITH THE NOTION THAT THESE HARD OBJECTIVES ARE NOT SO ESSENTIAL TO THE FRG AS TO OTHERS IS THE BELIEF THAT THEY MAY BE ACHIEVABLE ONLY IN THE TOUGHEST KINDS OF FOREIGN RELATIONS SCENARIOS, ONES FOR WHICH THE WORD CONFRONTATION COULD BE AN UNDERSTATEMENT. HERE THE GERMANS POINT OUT THAT THE USUAL KINDS OF CONSUMER CARTEL SANCTIONS (PURCHASE BOYCOTT) AND REQARDS (MINIMUM PRICES, AID) ARE EITHER NOT CREDIBLE OR EFFECTIVE IN THE CASE OF PETROLEUM. THERE MAY ALSO BE THE FEAR THAT SHOULD THE POINT OF DECISION BE REACHED IN A CONSUMER ORGANIZATION ON TAKING ROUGHER MEASURES, THE NEED AND INITIATIVE
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WILL BE DETERMINED BY THE U. S. AND PROBABLY BY OUR BALANCE OF PAYMENTS COST FROM PETROLEUM IMPORTS. IF THIS IS TO BE THE ULTIMATE LIMIT ON CONSUMER TOLERATION, THE FRG WOULD PROBABLY PREFER TO LET THE U. S. CARRY THROUGH ON ITS OWN, RATHER THAN ATTEMPTING TO ACT IN CONCERT WITH US.

9. THEREFORE, IF CONSUMER COOPERATION, FROM OUR STANDPOINT, IS INTENDED EVENTUALLY TO ADDRESS THE "HARD" OBJECTIVES, OUR CHANCES OF GETTING THE FRG TO PARTICIPATE ARE PROBABLY BETTER IF THIS ASPECT OF THE VENTURE IS LEFT TO BE DEVELOPED OVER TIME RATHER THAN STATES AS AN EXPLICIT OBJECTIVE.
HILLENBRAND

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